

Message Text

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FM AMEMBASSY MANILA

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INFO AMEMBASSY BANGKOK

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C O N F I D E N T I A L SECTION 1 OF 10 MANILA 3128

E. O. 11652: GDS

TAGS: PFOR, US, XB

SUBJECT: ANNUAL POLICY AND RESOURCE ASSESSMENT: PART I POLICY
PROPOSALS

REF: (A) STATE 037494; (B) STATE 038356; (C) STATE 038338;
(D) STATE 43659

1. SUMMARY: THERE IS A CONVERGENCE OF CIRCUMSTANCES
IN UNITED STATES-PHILIPPINE RELATIONS--INCLUDING THE
PENDING BASE NEGOTIATIONS, THE END OF THE LAUREL-LANGLEY
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ECONOMIC ERA, AND THE GOP'S PROFESSED AND INCRESING
EMPHASIS ON SELF-RELIANCE--WHICH OFFERS THE NEW U.S.
ADMINISTRATION A UNIQUE OPPORTUNITY TO RESHAPE A COMPLEX
AND OUTMODED BILATERAL RELATIONSHIP.

2. OUR LONG-TERM INTERESTS ARE: (A) U.S. STRATEGIC
DEFENSE NEEDS AND THE MAINTENANCE OF PEACE IN SOUTHEAST

ASIA; (B) PHILIPPINE ACHIEVEMENT OF RAPID ECONOMIC DEVELOPMENT; (C) PROTECTION OF U.S. INVESTMENTS AND ENCOURAGEMENT OF ADDITIONAL TRADE AND INVESTMENT, AND (D) CONTROLLED REDUCTION OF THE ARCHAIC SPECIAL RELATIONSHIP BETWEEN THE PHILIPPINES AND THE U.S.

3. BENEATH THE RHETORIC, MARCOS PROBABLY WANTS THE BASES TO REMAIN. HOWEVER, HE MAY PROTRACT THE NEGOTIATIONS, SINCE THE AMBIGUITY ALLOWS HIM TO MAXIMIZE DEMANDS WHILE RETAINING BENEFITS UNDER THE PRESENT AGREEMENT WHICH RUNS UNTIL 1991. PENDING A NEW AGREEMENT, MARCOS CAN SHOW THIRD WORLD AUDIENCES THAT HE IS RESISTING THE BASES, WHILE REASSURING ASEAN NEIGHBORS AND THE PRC THAT NOTHING HAS CHANGED. FOR OUR PART, WE SHOULD WITH CONSIDERABLE DELIBERATION ASSESS FULLY OUR PRESENT AND FUTURE NEED FOR THE BASES IN THE LIGHT OF BUDGETARY REQUIREMENTS AND ANTICIPATED GLOBAL AND EAST ASIAN MILITARY STRATEGY. IT WILL BE SALUTARY TO BRING HOME TO THE FILIPINOS THAT OUR NEED FOR THE BASES IS NOT PERMANENT, IMMUTABLE, NOR A MATTER OF U.S. NATIONAL SURVIVAL. WE SHOULD CONSIDER WHAT FACILITIES WE REALLY NEED, FOR HOW LONG, AND HOW WE CAN BEST EXTRICATE OURSELVES FROM THE EXPENDABLE IN ORDER TO PRESERVE THE ESSENTIAL.

4. COMPENSATION REMAINS THE KEY BASES QUESTION. BIGGER MILITARY ASSISTANCE WOULD INVOLVE US DEEPER IN APPARENT SUPPORT OF MARTIAL LAW AND POLITICAL REPRESSION IN THE NAME OF ANTI-INSURGENCY, WITH ATTENDANT CONGRESSIONAL COMPLICATIONS.
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T. ACCORDINGLY, WE SHOULD DROP OUR CURRENT PROPOSAL FOR A MILITARY AID COMPONENT AND ACCEPT IN PRINCIPLE A CASH RENTAL/ECONOMIC AID MIX. UNLESS THE BASES AGREEMENT DICTATES OTHERWISE, WE SHOULD CONTEMPLATE THE PHASE-OUT OF MILITARY AID OTHER THAN TRAINING, BEARING IN MIND THAT THERE IS NO CREDIBLE EXTERNAL THREAT TO PHILIPPINE SECURITY. IT IS NOT OUR INTEREST TO ENCOURAGE AN EXPANSION OF THE AFP, EITHER BY AID OR LARGE COMMERCIAL SALES, CONSIDERING THAT EXPENSIVE WEAPONS DIVERT SCARCE RESOURCES FROM NATIONAL DEVELOPMENT AND COULD ENCOURAGE GOP ADVENTURISM IN THE DISPUTED SOUTH CHINA SEA ISLANDS.

5. WE MAY WELL HAVE OPPORTUNITIES TO RESTRUCTURE ASSISTANCE TO THE PHILIPPINES TO INCREASE ITS EFFECTIVENESS. IN THIS REGARD, AN ECONOMIC AID-CASH RENTAL SETTLEMENT LINKED TO A BASES AGREEMENT MIGHT ENABLE US TO FOCUS OUR EFFORT ON SUCH PRIORITY AREAS OF MUTUAL INTEREST AS ALTERNATIVE ENERGY RESEARCH, DEVELOPMENT AND PRODUCTION. BILATERAL AID MAY BE REDUCED OVER THE NEXT FEW YEARS, BUT SHOULD

REMAIN FOCUSED ON THE RURAL POOR. IN UNDERTAKING NEW
PROJECTS WE SHOULD WITH INCREASING STRINGENCY INVOKE
THE GOP'S PRINCIPLE OF SELF-RELIANCE. WE ALSO MIGHT
CONSIDER THE IMPACT OF U.S. IMMIGRATION POLICIES ON

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C O N F I D E N T I A L SECTION 2 OF 10 MANILA 3128

PHILIPPINE NATIONAL DEVELOPMENT AND OTHER U.S. INTERESTS.
MASSIVE PHILIPPINE EMIGRATION TO THE U.S. IS AN EXPENSIVE
IRRITANT IN BILATERAL RELATIONS AND CONTRIBUTUES TO
LINGERING DEPENDENCY.

6. CURRENT LEVELS OF ECONOMIC ASSISTANCE ARE ROUGHLY
SATISFACTORY; OF MORE IMPORTANCE TO THE PHILIPPINES AT

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ITS CURRENT STAGE OF DEVELOPMENT ARE THE POLICIES OF THE U.S. AND OTHER DEVELOPED COUNTRIES ON INVESTMENT AND TRADE. WE SHOULD FACILITATE BILATERAL AND MULTILATERAL TRADE AND INVESTMENT AS MUTUALLY BENEFICIAL STIMULI TO PHILIPPINE DEVELOPMENT. WE SHOULD OPEN U.S. S. MARKET OPPORTUNITIES TO PHILIPPINE IMPORTS AND SYMPATHETICALLY CONSIDER GOP REQUESTS OF GSP WAIVERS. WHILE STRIVING TO DAMPEN CONTENTINOUS NORTH-SOUTH ISSUES, WE SHOULD REDOUBLE EFFORTS TO STABILIZE LDC EXPORT EARNINGS, OF CRITICAL IMPORTANCE TO THE PHILIPPINES. WE SHOULD NOT ENCOURAGE RESUMPTION OF BILATERAL ECONOMIC NEGOTIATIONS UNLESS WE ARE WILLING TO GRANT TARIFF CONCESSIONS. WE SHOULD EXAMINE WITH THE FILIPINOS THOSE ARRANGEMENTS WHICH WILL ENHANCE U.S. AND OTHER OECD INVESTMENT IN ENTERPRISES WHICH WILL CREATE SIGNIFICANT PHILIPPINE EMPLOYMENT OPPORTUNITIES.

7. THE SPECIAL RELATIONSHIP IS THE RESULT OF INTENSE PHILIPPINE-AMERICAN CONTACT DUURING AND AFTER OUR COLONIAL STEWARDSHIP. ITS MORE PALPABLE ASPECTS INCLUDE OUR MILITARY ALLIANCE, THE BASES, MILITARY ASSISTANCE, HIGH RATES OF INVESTMENT, IMMIGRATION AND TRADE, AND A SWOLLEN U.S. OFFICIAL PRESENCE. OF EQUAL CONCERN IS ITS EMOTIONAL COMPONENT--A HERITAGE OF LOVE MINGLED WITH HAGE WHICH CONSTANTLY IMPEDES OUR ABILITY TO RESOLVE MUTUAL PROBLEMS IN A RATIONAL MANNER. THE SPECIAL RELATIONSHIP IS A MASSIVE EDIFICE, IN PART FIXED BY U.S. STATUTE. IT IS NOT ALL BAD; WE CANNOT AND WOULD NOT WISH TO DESTROY IT, BUT WE CAN AND SHOULD GUIDE ITS INEVITABLE TRANSFORMATION IN OUR OWN AND PHILIPPINE INTERESTS.

8. U.S. OFFICIAL PRESENCE IN THE PHILIPPINES IS CURRENTLY AMONG THE LARGEST IN THE WORLD. BECAUSE THIS PRESENCE CONTRIBUTES TO THE SPECIAL RELATIONSHIP, AND FOR REASONS OF GOOD MANAGEMENT AND ECONOMY, WE SHULD REDOUBLE EFFORTS
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TO IMPLEMENT THE REDUCTIONS SPELLED OUT IN MANILA 0471 (1976).

9. THANKS TO PHILIPPINE NEEDS FOR MARKETS AND UNCERTAINTY REGARDING SECURITY, MARCOS' GREATEST FOREIGN POLICY CONCERN IS LIKELY TO REMAIN THE UNITED STATES. THIS GIVES US CONSIDERABLE LEVERAGE; WE SHOULD USE IT, BUT WITHOUT PUSHING MARCOS INTO ULTRA-NATIONALISM. WE SHOULD KEEP THE

HUMAN RIGHTS ISSUE BEFORE MARCOS, REALIZING THAT MARTIAL LAW OR ITS EQUIVALENT IS PROBABLY HERE TO STAY AND THAT PROBLEMS IN THIS AREA ARE LIKELY TO CONTINUE. WE SHOULD UNDERSTAND THE LIMITED SCOPE OF MARCOS' RAPPROCHEMENT WITH COMMUNISM AND HIS EMOTIONAL DESIRE FOR MEMBERSHIP IN THE THIRD WORLD CLUB. WE SHOULD RECOGNIZE THAT ASEAN'S GROWTH WILL CONTINUE TO BE PAINFULLY SLOW AND RELATE TO IT PATIENTLY AND PRAGMATICALLY.

10. THESE PROPOSALS IMPLY A WILLINGNESS TO QUESTION ASSUMPTIONS LONG UNDISTURBED, TO CONDUCT DETAILED STUDIES IN SOME CASES AND TO CHALLENGE ENTRENCHED BUREAUCRATIC INTERESTS INCLUDING OUR OWN. BUT I BELIEVE THAT THE TIME HAS COME TO TAKE MARCOS AT HIS WORD WHEN HE SAYS HE WANTS TO TERMINATE THE SPECIAL RELATIONSHIP. BY SO DOING WE CAN IMPROVE OUR CAPACITY TO COPE WITH FILIPINO ENTREATIES FOR SPECIAL TREATMENT, UNDERSTANDING AND RESPONSES WHICH RUN COUNTER TO OUR INTERESTS. WHILE THE SPECIAL RELATIONSHIP WILL NOT DISAPPEAR OVERNIGHT, IT CAN BE MODIFIED TO SERVE BETTER THE INTERES OF BOTH THE UNITED STATES AND THE PHILIPPINES. IT WILL BE A DIFFICULT TASK WHICH WE SHOULD NOT SHIRK BECAUSE IT IS UNFAMILIAR AND DEMANDS MORE EFFORT THAN WE HAVE TRADITIONALLY DEVOTED TO A NATION WHICH UNTIL RECENTLY WAS A DOCILE AND DEPEND-ABLE, IF AT TIMES IRKSOME, ALLY. END SUMMARY.

11. A. U.S. INTERESTS. PRIMARY LONG-TERM U.S. INTERESTS IN THE PHILIPPINES DEFINED BELOW ACCORD GENERALLY WITH THE GLOBAL AND REGIONAL INTERESTS OUTLINED IN REFTELS C AND D. CONFIDENTIAL

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(1) DEFENSE. FIRST, WE HAVE AN INTEREST THAT RELATES DIRECTLY TO OUR STRATEGIC NATIONAL DEFENSE NEEDS. SECOND, WE WANT A SOUTHEAST ASIA SUFFICIENTLY FREE OF REGIONAL TURMOIL TO PERMIT DEVELOPMENT AND TO MINIMIZE

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C O N F I D E N T I A L SECTION 3 OF 10 MANILA 3128

THE PROSPECTS FOR GREAT POWER CONFLICT. OUR BASES IN
THE PHILIPPINES RELATE TO BOTH.

(2) DEVELOPMENT. AS ELSEWHERE IN THE UNDER-
DEVELOPED WORLD, IT IS IN AMERICA'S INTEREST THAT THE
MARKET ECONOMY DEVELOPMENT PROCESS IN THE PHILIPPINES
SHOULD SUCCEED. FAILURE WOULD ADD ANOTHER INCREMENT
TO THE GLOBAL SLUM AND ULTIMATELY BREED POLITICAL CHAOS.
BUT THE PHILIPPINES IS RELATIVELY WELL ENDOWED WITH HUMAN
AND NATURAL RESOURCES, A "POTENTIAL ACHIEVER." IT COULD
BE AN EXAMPLE TO OTHERS.

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(3) ECONOMIC. EXISTING U.S. INVESTMENT IN THE
PHILIPPINES REPRESENTS A CONSIDERABLE IF WANING ASSET
RELATIVE TO PHILIPPINE AND U.S. ECONOMIES. IT IS GENERALLY
IN OUR INTEREST TO DEFEND U.S. PROPERTY, BUT EVEN MORE
ESSENTIAL IS THAT WE ENCOURAGE ADDITIONAL U.S. AND MULTI-
NATIONAL INVESTMENT AND TRADE ON MUTUALLY BENEFICIAL TERMS.
CREATIVE PRIVATE INVESTMENT AND EXPANDED TRADE CAN
INCREASINGLY BECOME THE MOST EFFECTIVE TOOLS FOR THE PROMOTION
OF PHILIPPINE DEVELOPMENT.

(4) PSYCHOLOGICAL. PRESIDENT MARCOS STRESSES
SELF-RELIANCE AND SAYS HE WANTS TO TERMINATE THE PHILIPPINES
"SPECIAL REALTIONSHIP" WITH THE U.S. IT IS IN THE U.S.

INTERESTS TO DIMINISH THE EMOTION-LADEN, LOVE-HATE, DEPENDENCY SYNDROME WHICH CONTINUES TO CHARACTERIZE AND COMPLICATE OUR MUTUAL DEALINGS. THE SPECIAL RELATIONSHIP IS A MASSIVE EDIFICE SOME OF WHICH IS FIXED BY U.S. LAW; IT CANNOT BE DISMANTLED OVERNIGHT AND THERE MAY BE PORTIONS THAT WE WILL WISH TO PRESERVE, BUT MUCH OF IT IS OBSOLETE AND ITS TRANSFORMATION INTO A MORE RATIONAL STRUCTURE SHOULD BE LEITMOTIF OF U.S. POLICY.

12. B. OVERVIEW. CERTAIN U.S. POLICIES HERETOFORE APPLIED TO THE PHILIPPINES APPEAR AS INDICATED BELOW TO BE OF QUESTIONABLE VALIDITY IN THE PURSUIT OF PRIMARY U.S. INTERESTS OVER THE NEXT YEARS.

(1) POLITICAL. MARCOS HAS PROCLAIMED A "NEW SOCIETY," BUT APART FROM DRASTIC CENTRALIZATION OF POWER, HIS TECHNIQUE HAS BEEN FUNDAMENTALLY CONSERVATIVE. HAVING COWED ALL RIVAL POLITICIANS, HE REMAINS THE ARCHETYPE OF THE OLD BREED. INSTEAD OF MANY POWER CENTERS, GEOGRAPHICALLY BASED AND REPRESENTED IN THE CONGRESS, THERE IS NOW ONLY ONE, MARCOS. BEYOND THAT HE HAS BENT OVER BACKWARDS NOT TO UPSET THE PROVINCIAL UPPER MIDDLE CLASS
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ELITES WHO TRADITIONALLY DOMINATED PHILIPPINE LIFE, WHO STILL STAFF LOCAL GOVERNMENT, AND WHO HAVE BENEFITED THROUGH RURAL BANKING AND ENHANCED COMMERCIAL OPPORTUNITIES MORE THAN THEY HAVE BEEN HARMED BY LAND REFORM AND OTHER NEW SOCIETY AGRARIAN POLICIES. NEW POPULIST ADVISORY INSTITUTIONS HAVE BEEN CREATED BUT HAVE BEEN SLOW TO TAKE ON SUBSTANCE AND ARE UNLIKELY TO SURVIVE MARCOS.

THE MILITARY HAS PROSPERED AN A NEW BREED OF SOMEWHAT MORE NATIONALISTIC OFFICERS IS MATURING, BUT DESPITE ITS GREATLY INCREASED ROLE UNDER MARTIAL LAW, THE ARMY HAS BEEN SLOW TO DEVELOP AS A COHERENT POLITICAL INSTITUTION IN THE INDONESIAN STYLE. BARRING AN ECONOMIC DEPRESSION, WHICH COULD CONVERT POPULAR POLITICAL APATHY INTO INCHOATE FURY, WE SEE NO PROBABLY MORTAL THREAT TO MARCOS. HE TOLERATES A SMALL FORMAL OPPOSITION BECAUSE HE KNOWS IT IS HARMLESS AND IMPROVES HIS IMAGE AT HOME AND ABROAD. THE COMMUNIST AND MUSLIM INSURGENCIES ARE ISOLATED IF EXPENSIVE DRAINS ON NATIONAL RESOURCES. THE CHURCH IS THE ONLY INSTITUTION CAPABLE OF RALLYING EFFECTIVE OPPOSITION, BUT DIVIDED, ESSENTIALLY CONSERVATIVE, AND VULNERABLE TO GOVERNMENT COUNTERMEASURES; IT CAN BECOME A MORTAL THREAT ONLY IF STUPIDLY MISHANDLED.

IN SHORT, THE US PROBABLY WILL BE DEALING WITH MARCOS FOR AT LEAST THE NEXT FIVE YEARS. SUCCESSION

REMAINS UNSETTLED. MARCOS MAY ENCOURAGE TALK OF HIS WIFE
SUCCEEDING HIM TO AVOID DEVELOPMENT OF A SUCCESSION LOCUS
ELSEWHERE IN GOVERNMENT. THE AFP WOULD PROBABLY OPPOSE
HER ASSUMPTION OF ANYTHING MORE THAN A FIGUREHEAD ROLE,
PERHAPS VIOLENTLY. A MILITARY REGIME MAY BE IN THE CARDS,
AS A SUCCESSOR, AND MILITARY SUPPORT WILL BE ESSENTIAL,
BUT ANOTHER STRONG CIVILIAN IS BY NO MEANS OUT OF THE
QUESTION. IN ANY EVENT, BARRING UNLIKELY CIVIL WAR,
WE DO NOT FORESEE A RETURN TO MULTI-CENTER POLITICS, TO
DEMOCRACY, AS LIKELY IN THE PHILIPPINES. MARTIAL LAW
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OR ITS FUNCTIONAL EQUIVALENT HAS PROBABLY COME TO STAY.

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THE AUTHORITARIAN NATURE OF THIS KING OF GOVERNMENT IS SUCH THAT IT WILL EVER HESITATE TO INFRINGE HUMAN AND POLITICAL RIGHTS TO SURVIVE. MOREOVER NO DICTATORIAL RULE CAN COMPLETELY CONTROL THE EXCESSES OF ZEALOUS SUBORDINATES. THUS EVEN THOUGH MARCOS WILL CONTINUE HIS EFFORTS TO RESPOND TO INTERNATIONAL CRITICISM, WHEN THE PRICE IS NOT TOO HIGH, SOME VIOLATIONS WILL INEVITABLY OCCUR AND THE GOP'S HUMAN RIGHTS PROBLEM WITH THE U.S. WILL CONTINUE.

GOP FOREIGN POLICY IS MUCH LESS PROBLEMATICAL THAN SOME OF ITS DOMESTIC POLICIES. MARCOS HAS EMBARKED ON A CONFIDENTIAL

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CAMPAIGN TO WIN NEW FRIENDS (COMMUNIST THIRD WORLD POWERS) WHILE KEEPING OLD ONES (US). HE HAS MADE ASEAN A KEYSTONE OF GOP REGIONAL RELATIONS. HE HAS TWO OUTSTANDING SECURITY PROBLEMS: MIDDLE EASTERN SYMPATHY FOR THE MUSLIM REBELS IN MINDANAO, WHICH IMPLIES A THREAT TO PHILIPPINE OIL SUPPLIES, AND THE POSSIBILITY OF CONFLICT WITH CHINA OR VIETNAM OVER THE SPRATLY ISLANDS--WHERE PHILIPPINE-CONTRACTED, U.S.-OPERATED OIL EXPLORATION IS CURRENTLY UNDERWAY.

(2) SECURITY. SECURITY ISSUES INVOLVED THE PHILIPPINES INCLUDE (A) OUR OWN STRATEGIC DEFENSE NEEDS, (B) THE PHILIPPINE CONTRIBUTION TO REGIONAL SECURITY, AND (C) EXTERNAL AND INTERNAL THREATS TO PHILIPPINES SECURITY. OUR TWO MAJOR BASES, CLARK AND SUBIC, RELATE TO ALL THREE CATEGORIES. THE PHILIPPINES IS BENEFICIARY OF A GENERALLY BENIGN SECURITY SITUATION IN THE REGION. THE END OF THE VIETNAM WAR AND THE EXISTING GREAT POWER EQUILIBRIUM HAVE REDUCED IF NOT ELIMINATED EXTERNAL THREATS, PERCEIVED AND REAL. LIKE MOST OTHER LEADERS OF ASEAN, MARCOS PUBLICLY ACKNOWLEDGES THAT THE ONLY MAJOR SECURITY PROBLEM CONFRONTING HIS NATION IS SUBVERSION, AND THAT THE LASTING ANTIDOTE IS DEVELOPMENT. MARCOS DOES NOT SEEM UNDULY FEARFUL OF EITHER CHINESE OR VIETNAMESE ASSISTANCE TO LOCAL INSURGENTS. HE IS, HOWEVER, CONCERNED ABOUT CHINESE AND VIETNAMESE INTENTIONS TOWARD THE DISPUTED SPRATLY ISLAND GROUP, FEELS KEENLY HIS OWN LACK OF CAPABILITY TO DEFEND THE PHILIPPINE CLAIM, AND WOULD LIKE ASSURANCES OF U.S. SUPPORT.

THE AFP'S ANTI-INSURGENCY CAPABILITIES ARE SPOTTY BUT GROWING. THE COMMUNIST INSURGENCY IS BEING CONTAINED WITH LITTLE MORE THAN LOCAL POLICE FORCES. FAR MORE RESOURCES--ABOUT TWO-THIRDS OF AFP COMBAT STRENGTH--HAVE BEEN DEPLOYED AGAINST THE MUSLIM INSURGENCY IN MINDANAO. SHOULD PRESENT NEGOTIATIONS IN TRIPOLI SUCCEED, THE MUSLIM PROBLEM WILL BE REDUCED. OUR MILITARY AID PROGRAM HAS COME A LONG WAY FROM THE DAYS WHEN THE AFP WAS DEPENDENT

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ON THE U.S. FOR VIRTUALLY ALL TRAINING AND EQUIPMENT. AT PRESENT THE U.S. CONTRIBUTES APPROXIMATELY \$17 MILLION IN MAP GRANT FINANCING ANNUALLY, PLUS ABOUT \$20 MILLION IN FMS. A MAJOR GOAL HAS BEEN TO ASSIST THE GOP TO MOVE TOWARD MILITARY "SELF-RELIANCE," I.E., REDUCED DEPENDENCE ON IMPORTED ARMS. TO THIS END WE APPROVED AN M-16 RIFLE CO-PRODUCTION PROJECT IN 1974. TACTICAL RADIOS ARE ALSO BEING ASSEMBLED IN COUNTRY UNDER A LICENSING AGREEMENT WITH A U.S. ELECTRONICS FIRM. THERE HAS BEEN A STEADY TREND TOWARD FMS CASH PURCHASES, UP FROM \$5.5 MILLION IN FY 74 TO \$34 MILLION IN FY 76.

THE TERM "SELF-RELIANCE" AS USED BY THE AFP REQUIRES EXPLANATION. NO ONE BELIEVES THAT THE PHILIPPINES WILL BE ABLE TO MANUFACTURE MORE THAN A SMALL PERCENTAGE OF ITS SOPHISTICATED ARMS REQUIREMENTS WITHIN THE FORSEEABLE FUTURE. HOWEVER, THE AFP DOES WANT MAXIMUM FREEDOM TO CHOOSE WHERE IT PROCURES WHAT IT THINKS IT NEEDS, AND IT IS INCREASINGLY WILLING TO PAY ITS OWN WAY, AS INDICATED BY RISING GOP EXPENDITURES ON DEFENSE.

(3) ECONOMIC. THERE IS NO CONSISTENT RELATIONSHIP BETWEEN AUTHORITARIANISM AND ECONOMIC HEALTH. IN THE PHILIPPINES THE RESULTS OF MARTIAL LAW HAVE BEEN MIXED. AUTHORITARIANISM HAS ENHANCED THE ASCENDANCY OF THE TECHNOCRATS AND MADE POSSIBLE SOME WISE BUT UNPOPULAR ECONOMIC DECISIONS. IMPROVED LAW AND ORDER IS THE MOST FREQUENTLY REMARKED IMPETUS TO ECONOMIC ACTIVITY. HOWEVER, THE DEBIT SIDE OF THE LEDGER IS FORMIDABLE. MARTIAL LAW HAS TENDED TO DISCOURAGE INITIATIVES, PARTICULARLY AT THE PROVINCIAL AND LOCAL LEVELS. CONCENTRATION OF POWER

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AND UNCERTAIN PATHS OF INFLUENCE HAVE LED TO CAPRICIOUS NATIONAL POLICIES, OFTEN DESIGNED FOR SPECIAL INTERESTS. NEW OLIGARCHIES HAVE GROWN UP IN PLACE OF SOME OF THE OLD AS WEALTH COALESCE AROUND NODES OF PERSONAL POLITICAL POWER. THE APPARENTLY INSATIABLE ACQUISITIVENESS OF THE MARCOS FAMILY HAS SET THE GONE FOR OTHERS, WARPING THE ECONOMIC SYSTEM, AND EXACERBATING WHAT COULD PROVE TO BE A FATAL CORRUPT INFLUENCE AT THE HEART OF PHILIPPINE NATIONAL LIFE.

NEVERTHELESS FILIPINOS ARE AN ECONOMICALLY TALENTED
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PEOPLE, RELATIVELY WELL ENDOWED IN RESOURCES AND INSTITUTIONS, AND THE GROWTH RECORD UNDER MARTIAL LAW HAS BEEN RATHER GOOD. FROM 1960 AND 1972 GROWTH AVERAGED 5-1/2 PERCENT A YEAR; FROM 1973 TO 1976 IT AVERAGED 6.8 PERCENT. THE GOVERNMENT CAN TAKE SOME OF THE CREDIT. INEQUITABLE INCOME DISTRIBUTION REMAINS A MAJOR PROBLEM, AND THE ECONOMIC SITUATION OF RURAL AND URBAN POOR HAS ON BALANCE CONTINUED TO DETERIORATE. YET, PARADOXICALLY, UPWARD SOCIAL MOBILITY, AIDED BY WIDESPREAD EDUCATION, AND AN ETHOS OF ECONOMIC OPTIMISM REMAIN CHARACTERISTIC OF THE PHILIPPINES.

IN INTERNATIONAL TRADE THE PHILIPPINES CONTINUES TO FACE A CHRONIC DEFICIT, THE DEGREE OF WHICH IS MAGNIFIED BY THE INSTABILITY OF PRIMARY EXPORT EARNINGS. THE PHILIPPINES HAS MET ITS CAPITAL NEEDS BY EXTENSIVE EXTERNAL BORROWING. ABILITY TO SERVICE THE DEBT APPEARS ADEQUATE BUT NEEDS TO BE CLOSELY WATCHED. PHILIPPINE OIL DEPOSITS

REMAIN CHIMERICAL, BUT EXPLORATION CONTINUES. ECONOMIC NEGOTIATIONS, STARTED AT U.S. INITIATIVE IN 1974, ARE IN A STATE OF SUSPENSE. THE BASIC ISSUES ARE PHILIPPINE DESIRE FOR DUTY-FREE ACCESS TO U.S. MARKETS, ESPECIALLY FOR COCONUT OIL AND MAHOGANY, AND U.S. DESIRE FOR INVESTMENT GUARANTEES TO REPLACE THE LAUREL-LANGLEY AGREEMENT.

(4) DEVELOPMENT. THE GOP HAS FORMULATED A LONG-RANGE DEVELOPMENT STRATEGY THAT IS AIMED AT IMPROVING THE WELFARE OF THE AVERAGE FILIPINO BY BROADENING CITIZEN PARTICIPATION IN THE BENEFITS OF A STEADILY GROWING ECONOMY. IT IS COMPREHENSIVE IN SCOPE BUT NOT ALWAYS COHESIVE IN DETAIL. THE STRATEGY CALLS FOR MORE EXTENSIVE FAMILY PLANNING, NUTRITION AND HEALTH CARE PROGRAMS; INCREASED AGRICULTURAL PRODUCTION TO FEED THE GROWING POPULATION AND FOR EXPORT; COMPREHENSIVE INFRASTRUCTURE DEVELOPMENT; AND THE ESTABLISHMENT OF INDUSTRIAL FACILITIES THAT WILL EFFECTIVELY UTILIZE DOMESTIC RESOURCES AND PROVIDE JOBS
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FOR THE RAPIDLY GROWING LABOR FORCE. SUCCESSFUL IMPLEMENTATION OF THE GOP'S DEVELOPMENT STRATEGY WILL DEPEND HEAVILY ON AN APPRECIABLE IMPROVEMENT IN THE GOVERNMENT'S ABILITY TO MOBILIZE AND EXPEDITE THE RESOURCES NEEDED TO CARRY IT OUT. WHILE RAPID POPULATION GROWTH REMAINS THE COUNTRY'S MOST CRITICAL SINGLE DEVELOPMENT PROBLEM, GOP FAMILY PLANNING EFFORTS HAVE FALTERED BECAUSE OF ORGANIZATIONAL PROBLEMS AND OVER-CONCENTRATION IN URBAN AREAS. CHURCH AND CATHOLIC ALY OPPOSITION REMAINS A POTENT, THOUGH TO DATE LARGELY A PSYCHOLOGICAL FACTOR. ALTHOUGH THE GROWTH RATE HAS BEEN REDUCED SOMEWHAT (FROM 3 TO PERHAPS 2.8 PERCENT), THE POPULATION WILL PROBABLY DOUBLE IN THE NEXT 25-30 YEARS. THE GOP IS AWARE OF, BUT REMAINS COMPLACENT ABOUT THE FULL AND TERRIFYING IMPLICATIONS OF SUCH GROWTH FOR FOOD SUPPLY, EMPLOYMENT, EDUCATION, ETC.

THERE ARE OTHER SERIOUS GAPS BETWEEN PLANS AND PRACTICE. IN GENERAL, THE GOP SEEMS TO HAVE UNDERESTIMATED THE COSTS AND DIFFICULTIES OF MOUNTING BROAD-GAUGED DEVELOPMENT EFFORTS. PROBLEMS OF UNSUITABLE EDUCATION AND FRAGMENTED GEOGRAPHY ARE FORMIDABLE. THE NATIONAL PROPENSITY TO SAVE AND SACRIFICE REMAINS LOW, AND CONSUMERISM IS A SECULAR RELIGION. THERE IS AN INGRAINED TENDENCY TO MAKE IMPRESSIVE BEGINNINGS AND IGNORE FOLLOW-UP. THE ROBBER-BARON MENTALITY, WHICH HAS HISTORICALLY CHARACTERIZED PHILIPPINE ECONOMIC BEHAVIOR, AND WHICH IS CURRENTLY FINDING EXPRESSION IN THE NEW OLIGARCHIES, IS ANTITHETICAL TO THE PLANNED MANAGEMENT OF RESOURCES NEEDED FOR SUCCESSFUL DEVELOPMENT.

AT PRESENT, U.S. BILATERAL AID CONSTITUTES APPROXIMATELY 12 PERCENT OF THE \$500 MILLION TOTAL OF EXTERNAL ASSISTANCE TO THE PHILIPPINES. THE JAPANESE CONTRIBUTION IS ABOUT THE SAME, AND MULTILATERAL DONORS SUCH AS ADB

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AND IBRD PROVIDE ALMOST ALL OF THE BALANCE. MORE.
OVER, THE U.S. GOVERNMENT CONTRIBUTES ABOUT 20-25 PERCENT
OF THE APPROXIMATELY \$350 MILLION IN ANNUAL MULTILATERAL
AID. THE U.S. PROGRAM IS ESSENTIALLY A COMPOSITE OF
INTERRELATED TECHNICAL ASSISTANCE ACTIVITIES, DIRECTED
TOWARDS IMPROVING THE LOT OF THE RURAL POOR.
IT IS DIRECTLY SUPPORTIVE OF GOP EFFORTS IN THIS REGARD,
IN LINE WITH THE CONGRESSIONAL MANDATE, AND IS WELL
RECEIVED BY FILIPINOS. MAJOR AREAS OF USAID CONCENTRATION
INCLUDE RURAL ELECTRIFICATION, AGRICULTURAL DEVELOPMENT,
NUTRITION AND FAMILY PLANNING, LOCAL WATER
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SYSTEMS, RURAL ROADS AND IRRIGATION FACILITIES AND A MULTI-PURPOSE DEVELOPMENT PROJECT IN THE BACKWARD BICOL REGION. OUR BILATERAL EFFORTS CONTINUE TO COMPLEMENT THOSE OF OTHER DONORS IN THE CONSULTATIVE GROUP, PARTICULARLY THE JAPANESE, ADB, AND IBRD, WHOSE RESOURCES ARE CONCENTRATED IN AREAS OF INFRASTRUCTURE AND HEAVY INDUSTRY DEVELOPMENT. THE STYLE AND PRACTICE OF AID PARTICIPATION TENDS TO HAVE A CATALYTIC EFFECT OF ASSISTING THE GOP TO MOBILIZE ITS OWN AND OTHER EXTERNAL RESOURCES. BECAUSE OF ITS TECHNICAL ASSISTANCE CHARACTER AND RURAL-ORIENTATION, THE AID PROGRAM IS WIDELY DISPERSED AND RELATIVELY LABOR INTENSIVE.

(5) SPECIAL RELATIONSHIP. THE PROSPECTS FOR U.S.-PHILIPPINE RELATIONS FOR MANY YEARS TO COME WILL BE HEAVILY CONDITIONED BY THE HERITAGE OF AMERICAN COLONIAL AND POST-COLONIAL DOMINATION. AMERICAN COLONIALISM WAS IN MANY WAYS UNIQUE. UNLIKE, BRITISH, FRENCH AND DUTCH COLONIALSIMS, WHICH APPEALED MAINLY TO ELITE GROUPS, THE AMERICAN STRESS ON EDUCATION FOR ALL AND UPWARD MOBILITY HAD GREAT POPULAR APPEAL AND DEEPLY INFLUENCED PHILIPPINE MASS CULTURE. THIS WAS REINFORCED BY OUR DECISION TO LEAVE THE ISLANDS BEFORE THE FILIPINOS THREW US OUT AND BY THE SHARED SUFFERING OF WORLD WAR II. PEACE BROUGHT U.S. REHABILITATION AID, CHARACTERISTICALLY CONSIDERED INADEQUATE BY FILIPINOS, AND, AS ITS PRICE, TREATIES WHICH ALLOWED AMERICANS TO RESUME SEMI-COLONIAL ECONOMIC RIGHTS AND TO REOCCUPY A MASSIVE MILITARY BASE COMPLEX. FOR A TIME BOTH NATIONS ASSUMED FOREIGN POLICY INTERESTS WERE PARALLEL IF NOT IDENTICAL.

ECONOMIC AND POLITICAL RELATIONS REMAINED ABONORMALLY CLOSE. AMERICAN AID TECHNICIANS WERE OFTEN AT THE CENTER OF THE DEVELOPMENT PROCESS. THE PHILIPPINE MILITARY WERE ALMOST WHOLLY DEPENDENT ON JUSMAG. MANY FILIPINOS ASSUMED, NOT WITHOUT REASON, THAT THE AMERICAN GOVERNMENT WAS DEEPLY INVOLVED IN PHILIPPINE POLITICS. POSTWAR AMERICAN

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ANTI-COMMUNISM TOOK ROOT AND FLOURISHED LONG AFTER IT WAS OUT OF FASHION IN THE UNITED STATES. AMONG THE MANY ASPECTS OF THE SPECIAL RELATIONSHIP ARE: THE BASES, A LARGR AMERICAN OFFICIAL PRESENCE, HEAVY U.S. INVESTMENT, DEPENDENCE ON U.S. MARKETS, SUBSTANTIAL EMIGRATION TO THE U.S., EXTENSIVE CULTURAL INTERPENETRATION, AND A VAST NETWORK OF PERSONAL EXPECTATIONS AND OBLIGATIONS. THE SPECIAL RELATIONSHIP MAKES IT IMPOSSIBLE FOR

FILIPINOS TO REACT WITHOUT UNDUE EMOTION WHERE AMERICANS ARE CONCERNED. KEY ELEMENTS IN THIS EMOTIONAL HERITAGE COME IN CONTRADICTORY SETS. THE RESIDUAL POPULARITY OF AMERICA AND THINGS AMERICAN ARE BALANCED BY RESENTFUL SUSPICION THAT WE HAVE NEVER RETURNED FILIPINO AFFECTION IN EQUAL MEASURE. FOR THE MORE EDUCATED, FASCINATION WITH THINGS AMERICAN IS BALANCED BY FEELINGS OF INADEQUACY BECAUSE OF FAILURE TO DEVELOP AN "AUTHENTIC" FILIPINO CULTURE. BITTERNESS OVER PAST INTERVENTIONS IN PHILIPPINE POLITICS IS MATCHED BY LINGERING HOPES THAT WE MIGHT INTERVENE TO ACCOMPLISH THIS OR THAT POLITICAL REFORM. EXCESSIVE ADMIRATION IS BALANCED BY THE MAGNIFICATION OF MINOR SLIGHTS INTO MAJOR INSULTS.

THE NET RESULTS IS A "NEUROTIC, MANIPULATIVE, PHYSICALLY CRIPPLING DEPENDENCE." ITS NEGATIVE EFFECT IN PRACTICAL TERMS HAS BEEN TYPICALLY VISIBLE IN THE BASES NEGOTIATIONS, WHERE THE FILIPINOS ARE DEEPLY DISTRACTED BY SYMBOLIC ISSUES OF "SOVEREIGNTY." IN FOREIGN POLICE IT RESULTS IN PHILIPPINE POSTURINGS TOWARD THE THIRD WORLD AND EXAGGERATED NOTIONS ABOUT A REGIONAL LEADERSHIP. IT HAMPERS OUR ABILITY TO COMMUNICATE WITH OFFICIALS WHO FEAR OR HOPE THAT WE ARE THE HIDDEN MANIPULATORS OF PHILIPPINE AFFAIRS. THE SPECIAL RELATIONSHIP IS NOT ALL BAD. THE COMMON CULTURAL TIES, RESIDUAL AFFECTION, AND SENSE OF SHARED HISTORY HAVE POSITIVE ASPECTS. BUT LIKE COLONIALISM ITSELF, THE POST-COLONIAL PATTERN BELONGS IN THE PAST AND SHOULD BE MOVED VIGOROUSLY IN THAT DIRECTION TO ENHANCE THE ABILITY OF BOTH COUNTRIES TO IDENTIFY AND

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SOLVE COMMON PROBLEMS IN A MATURE AND RATIONAL MANNER.

13. C. OBJECTIVES, COURSES OF ACTION, AND ISSUES.
AMONG GLOBAL AND REGIONAL POLICY EMPHASES MOST RELEVANT TO THE PHILIPPINES, AND ACCORDINGLY GIVEN PRIORITY ATTENTION BELOW, ARE THE PROMOTION OF HUMAN RIGHTS,

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INFO AMEMBASSY BANGKOK

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REDUCED TRANSFER OF CONVENTIONAL ARMS OF LDCS, POSSIBLE
FORCE POSTURE ADJUSTMENTS, DEVELOPMENT ASSISTANCE STRATEGY,
AND ADMINISTRATIVE ECONOMY.

A. MILITARY BASES.

(1) PHILIPPINE PERSPECTIVE. LOOKING BEYOND
RHETORIC AND POSTURING THERE IS LITTLE DOUBT THAT MARCOS
CONTINUES TO VIEW THE BASES AS IMPORTANT TO PHILIPPINE
INTERESTS. HE SEES THEM AS ESSENTIAL TO INHIBIT
MORE ACTIVE GREAT POWER RIVALRY IN THE REGION, A VIEW
SHARED BY THE OTHER ASEAN POWERS AND BY THE PRC. HE
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RECOGNIZES THAT THEY COULD UNDER CERTAIN CIRCUMSTANCES,
HOWEVER CURRENTLY REMOTE, CONTRIBUTE DIRECTLY TO THE
DEFENSE OF THE PHILIPPINES. HE KNOWS THAT THE BASES MAKE
A MASSIVE CONTRIBUTION TO THE PHILIPPINE ECONOMY AND
CAN BE USED AS A BARGAINING LEVER TO EXTRACT CONCESSIONS
FROM THE U.S. IN OTHER FIELDS. HE IS AWARE THAT AS SYM-
BOLS OF THE U.S. PRESENCE AND AS INCOME PRODUCERS THE
BASES ARE ESSENTIALLY POPULAR; TO REMOVE THEM PRECIPITOUSLY
WOULD SHAKE THE CONFIDENCE OF INVESTORS (FOREIGN AND
DOMESTIC) AND MIGHT PROFOUNDLY AFFECT THE POPULARITY
OF HIS REGIME.

ON THE NEGATIVE SIDE, MARCOS REALIZES THAT THE

BASES ARE AN OFFENSE TO NATIONALISM (PRIMARILY BUT NOT EXCLUSIVELY A CONCERN OF THE INTELLIGENTSIA) AND A BARRIER TO ACHIEVEMENT OF HIS (AND HER) THIRD WORLD ASPIRATIONS. HOWEVER, THAT MARCOS WANTS THE BASES DOES NOT MEAN THAT HE WANTS A RAPID CONCLUSION TO THE NEGOTIATIONS. AS THINGS STAND, HE CAN REASSURE ASEAN ALLIES AND THE PRC THAT HE IS NOT EVICTING THE AMERICANS, AND AT THE SAME TIME TELL THE THIRD WORLD THAT THE OLD RELATIONSHIP IS BEING DISMANTLED. THE PRESENT AMBIGUITY MAXIMIZES HIS LEVERAGE WITH US. IT COULD BE DIFFICULT FOR HIM TO CONCLUDE A FINAL, FORMAL AGREEMENT RETAINING THE BASES WITHOUT GUEERING HIS THIRD WORLD PITCH AND PERHAPS OFFENDING THE VIETNAMESE. IN SHORT, IT IS DOUBTFUL THAT THE PROFIT MARCOS ANTICIPATES IN TERMS OF QUID OUTWEIGHS THE PRESENT ADVANTAGES TO HIM OF AN IN-CONCLUSIVE SITUATION. HE KNOWS AS WELL AS WE DO THAT THE AGREEMENT RUNS UNTIL 1991 AND CANNOT BE UNILATERALLY DENOUNCED.

(2) U.S PERSPECTIVE. OUR PERSPECTIVE IS LESS CLEAR. WE HAVE TENDED TO ASSUME THAT MOST OF THE PRESENT BASE STRUCTURE IS ESSENTIAL FOR THE FORESEEABLE FUTURE. IT APPEARS, HOWEVER, THAT MAJOR REDUCTIONS SHOULD BE CONFIDENTIAL

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POSSIBLE AT CLARK. THE REEXAMINATION OF OUR OVERALL REQUIREMENTS SHOULD CONSIDER THE CURRENT POLITICAL SITUATION IN THE PHILIPPINES AND ITS HUMAN RIGHTS COMPONENT. IN VIEW OF CURRENT CONGRESSIONAL ATTITUDES, ANY NEW AGREEMENT WITH A MILITARY ASSISTANCE COMPONENT IS BOUND TO GENERATE APPROPRIATIONS HASSLES FOR THE NEW ADMINISTRATION. SINCE PHILIPPINE REQUIREMENTS WILL BE PREDOMINATELY RELATED TO INSURGENCY THREATS WE WILL NEED TO EXAMINE CLOSELY THE COMMITMENTS, IMPLIED OR EXPLICIT, IN ANY SUCH AGREEMENT.

ACCORDINGLY, WE SHOULD ACCELERATE STUDIES TO CLARIFY THE FOLLOWING:

--WHAT GLOBAL U.S. POLITICAL MILITARY STRATEGY IS DESIRED AND HOW EAST ASIA, SOUTHEAST ASIA, AND THE PHILIPPINES RELATE TO THAT STRATEGY;

--WHAT OUR NEEDS WILL BE AT THE BASES OVER THE NEXT 5-10 YEARS. WHICH INSTALLATIONS WILL BE REQUIRED TO REALIZE THE PROPOSED STRATEGY? WHAT MAJOR REDUCTIONS AND CONSOLIDATIONS CAN BE ACHIEVED? WHAT MAJOR REDUCTIONS AND CONSOLIDATIONS CAN BE ACHIEVED? WHAT WOULD BE THE EFFECT OF GIVING UP CLARK AND SUBIC IN THEIR ENTIRETY? COULD WE ENVISAGE SACRIFICING CLARK, IN LARGE PART

OR IN WHOLE, TO ASSURE CONTINUED USE OF SUBIC?

--WHAT ARE WE WILLING TO PAY TO ASSURE ESSENTIAL
FACILITIES AND HOW IT MIGHT BE BEST ORGANIZED TO MAXIMIZE
PHILIPPINE ECONOMIC DEVELOPMENT, MINIMIZE U.S. INVOLVE-
MENT IN MILITARY REPRESSION WITHIN THE PHILIPPINES, AND
LIMIT U.S. IDENTIFICATION WITH THE MARTIAL LAW GOVERNMENT?

--WHETHER THERE IS A LONG-RANGE POTENTIAL FOR MUCH
GREATER AFP PARTICIPATION IN NON-COMBAT OPERATIONS AT
THE BASES, PREDICATED ON A SUFFICIENT LEVEL OF TECHNICAL
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COMPETENCE TO BE ACHIEVED THROUGH U.S. TRAINING. (TO

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INFO AMEMBASSY BANGKOK

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DEMONSTRATE TO THE FILIPINOS THAT WE REGARD THEM AS ADULTS AND EQUALS.)

THESE ARE COMPLICATED QUESTIONS AND WE NED NOT RUSH TO ANSWERS. IF MARCOS PREFERS TO KEEP THE NEGOTIATIONS OPEN INDEFINITELY, IT WILL DO US NO MAJOR DAMAGE. AS AN INHERENT PART OF NEGOTIATIONS WHEN RESUMED, WE SHOULD GIVE MARCOS THE CLARIFICATION HE SEEKS REGARDING THE GRAY AREAS AND AMBIGUITIES IN OUR COMMITMENT UNDER THE MUTUAL DEFENSE TREATY. MEANWHILE, WE SHOULD SCRUPULOUSLY AVOID REASSURING MARCOS CONCERNING THE IMPORANCE TO US OF THE BASES. THE QUESTION OF
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COMPENSATION WILL OF COURSE BE CENTRAL TO THE PROGRESS OF NEGOTIATIONS. WE SHOULD DROP OUT CURRENT PROPOSALS FOR A QUID COMPOSED OF MILITARY GRANT AID AND ACCEDE INSTEAD TO THE PHILIPPINE DESIRE FOR CASH RENTALS AND COMBINE THIS WITH A MAJOR LONG-TERM ECONOMIC ASSISTANCE PROJECT CHOSE FOR ITS RELATIVE INVULNERABILITY TO MANIPULATION AND CORRUPTION AND MAXIMUM DEVELOPMENT BENEFIT AND MUTUALITY, E.G., ALTERNATIVE ENERGY RESEARCH DEVELOPMENT AND PRODUCTION, PARTICULARY GEOTHERMAL. WE SHOULD CONSIDER TH POSSIBILITY THAT U.S. ASSETS AT CLARK, TO BE TURNED OVER TO THE GOP UNDER THE SETTLEMENT, COULD BE MADE PART OF THE OVERALL QUID.

B. MILITARY ASSISTANCE. AT PRESENT THE MAP PROGRAM IS A TRANSITIONAL BRIDGE BETWEEN GRANT AID AND THE "SELF-RELIANT" MODE DOMINATED BY SALES. DEPENDING ON CIRCUMSTANCES, WHICH MAY BE DICTATED BY THE BASES AGREEMENT, WE SHOULD PHASE OUT THE JUSMAG PROGRAM COMPLETELY. THERE ARE NO COMPELLING SECURITY REASONS, INCLUDING THE MAINTENANCE OF THE BASES, WHY WE SHOULD SEEK THROUGH MAP TO BUILD THE STRENGHT OF THE AFP. AN ARSENAL OF SOPHISTICATED WEAPONS WOULD ONLY DIVERT RESOURCES FROM PHILIPPINE NATIONAL DEVELOPMENT AND COULD ENCOURAGE GOP ADVENTURISM IN THE DISPUTED PARACEL ISLANDS, MACCLESFIELD BANK, AND ISLANDS IN THE DANGEROUS GROUND AREA, INCLUDING THE SPRATLY ISLANDS. IN THIS CONTEXT EVEN U.S. MILITARY SALES MAY BE HARMFUL TO OUR OWN LONG-RANGE INTERESTS.

ANY WINDING DOWN OF THE MINDANAO INSURGENCY WOULD FURTHER REDUCE THE JUSTIFICATION FOR MILITARY IAD. OUR TRAINING ASSISTANCE TO THE AFP PRESENTLY AMOUNTS TO ABOUT \$600,000 YEARLY, MUCH OF IT IN RIGIDLY TECHNICAL MILITARY SUBJECTS. AT PRESENT A YOUNGER GENERATION OF MILITARY OFFICERS IS COMING TO THE FORE WHICH IS MORE NATIONALISTIC AND LESS U.S.-ORIENTED THAN THE PRESENT LEADERSHIP. WE COULD ATTEMPT TO BROADEN AND EXPAND OUR TRAINING PROGRAM IN AN EFFORT TO OFFSET THIS TREND

AND CULTIVATE PRO-U.S. ATTITUDES. SUCH A PROGRAM HAS
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BEEN PROPOSED IN THE EMBASSY'S A-25. COUNTER ARGUMENTS
ARE THAT AN EXPANDED TRAINING PROGRAM COULD APPEAR TO
CONSTITUTE U.S. APPROVAL AND ENCOURAGEMENT OF A MORE
VIGOROUS SOCIO-POLITICAL ROLE FOR THE MILITARY, AS
WELL AS U.S. APPROVAL OF MARTIAL LAW. ALSO, THE
KIND OF ENHANCED NATIONALISM NOW EVIDENT AMONG THE
YOUNGER OFFICERS IS AN INEVITABLE SIDE EFFECT OF THE
GENERALLY HEALTHY TREND AWAY FROM DEPENDENCE ON THE U.S.

C. HUMAN RIGHTS. WE SHOULD KEEP THE HUMAN RIGHTS
ISSUE BEFORE MARCOS. THIS IS ONE AREA WHERE WE CAN, FOR
THE TIME BEING, USE THE SPECIAL RELATIONSHIP TO MUTUAL
ADVANTAGE. MOST FILIPINOS EXPECT US TO BE CONCERNED ABOUT
HUMAN RIGHTS; MANY WILL BE DISAPPOINTED IF WE ARE NOT.
WE SHOULD TAKE CARE NOT TO LIMIT OUR PERSPECTIVE TO
ABUSES OF MIDDLE-CLASS POLITICAL RIGHTS, SIGNIFICANT AND
DEPLOABLE THOUGH THESE MAY BE. IN THE PHILIPPINE
CONTEXT, FAILURES IN THE DEVELOPMENT PROCESS CAUSE FAR
MORE HUMAN SUFFERING THAN VIOLATIONS OF HUMAN RIGHTS
NARROWLY DEFINED. IN TIME, AND AS THE SPECIAL RELATION-
SHIP WANTS, WE WILL HAVE TO DISABUSE OURSELVES OF LINGER-
ING ASSUMPTIONS THAT SOME VESTIGE OF A SHARED POLITICAL
HERITAGE ALLOWS US TO EXPECT MORE FROM THE GOP THAN FROM
OTHER AUTHORITARIAN REGIMES IN ASIA.

D. POSTURE. MARCOS' GREATEST PROBLEM MAY BE THE U.S.
UNCERTAINTIES ABOUT THE NEW U.S. ADMINISTRATION, DOUBTS
ABOUT THE DEPTH OF THE U.S. DEFENSE COMMITMENT, THE
LAST CONTINUING IMPORTANCE OF THE U.S. MARKET, AND
THE NEED TO SATISFY CONTINUING EMOTION AFFINITY WITH

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THE U.S. WHILE SIMULTANEOUSLY ANSWERING THE DEMANDS OF "NEW REALITIES," ALL MAKE OF THE UNITED STATES A MARKED CHALLENGE FOR MARCOS. WITH REGARD TO MOST MAJOR ISSUES, INCLUDING THE BASES, HIS NEED FOR THE STATUS QUO IS PROBABLY GREATER THAN OURS. PRESENT UNCERTAINTIES APPEAR TO ALLOW HIM LITTLE ROOM FOR MANEUVER AND SUGGEST THAT WE WOULD BE AT AN ADVANTAGE IN PRESSING OUR DEMANDS. NEVERTHELESS, IT WOULD BE IMPRUDENT TO ACT AS IF MARCOS HAS NO OPTIONS. HE IS CAUTIOUS BUT ALSO PROUD, AND INFLEXIBILITY ON OUR PART COULD FORCE HIM TOWARD ULTRANATIONALISM.
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WE SHOULD MAKE CLEAR THAT MARCOS' BELATED DESIRE FOR RELATIONS WITH COMMUNIST POWERS, AND HIS COMPULSION FOR IDENTITY WITH THE THIRD WORLD, DO NOT POSE PROBLEMS FOR US. INDEED, HIS DRIVE TO ACCOMMODATE TO "NEW INTERNATIONAL REALITIES" IS FUNDAMENTAL TO THE PHILIPPINE QUEST FOR IDENTITY, AND THE SOONER IT IS SATISFIED THE SOONER HE WILL BE ABLE TO RELAX AND RATIONALIZE HIS DEALINGS WITH US. WE SHOULD AVOID HECTORING THE GOP ON RELATIVELY MINOR THIRD WORLD AND UNGA ISSUES IN WAYS WHICH NOT ONLY IMPERIL OUR WEIGHTIER SPECIFIC INTERESTS, BUT ALSO STRENGTHEN FILIPINO SUSPICIONS THAT WE ARE FUNDAMENTALLY HOSTILE TO THE UNDERDEVELOPED WORLD.

E. ASEAN. PHILIPPINE PARTICIPATION IN ASEAN, WELCOME AS IT IS, WILL NOT HAVE SWIFT OR DRAMATIC IMPACT ON OUR BILATERAL RELATIONS. RECENT FAILURE TO MAKE FASTER PROGRESS TOWARD ECONOMIC COOPERATION HAS AMPLY

DEMONSTRATED THAT ASEAN'S GROWTH WILL BE AS SLOW AND PROBLEMATIC AS THAT OF OTHER REGIONAL GROUPINGS IN THE PAST. WE SHOULD TREAT ASEAN WITH BENEVOLENT REALISM, NOT AS A FETISH, BEARING IN MIND THAT OVER-ATTENTION ON OUR PART CAN, FOR THE TIME BEING, AGGRAVATE VIETNAMESE HOSTILITY AND NEEDLESSLY SUMMON THE SPECTER OF SEATO.

F. ECONOMIC. OPPORTUNITIES ARE GREATEST IN THE FIELDS OF TRADE AND INVESTMENT. WE SHOULD OPEN U.S. MARKETS TO PHILIPPINE IMPORTS. (THIS DOES NOT MEAN NEW SUGAR QUOTA ALLOCATIONS; WHILE A NEW SUGAR ACT WOULD AFFORD SHORT-TERM RELIEF TO THE PHILIPPINE SUGAR INDUSTRY, THE LONG-TERM VIABILITY OF AT LEAST PORTIONS OF THIS INEFFICIENT INDUSTRY IS QUESTIONABLE.) WE SHOULD SYMPATHETICALLY CONSIDER GOP REQUESTS FOR GSP WAIVERS. WE SHOULD ENCOURAGE THE GOP TO TREAT FOREIGN INVESTMENT INCREASINGLY AS A SUBSTITUTE FOR EXTERNAL BORROWING. TARIFF STRUCTURES SHOULD BE RATIONALIZED AND OTHER

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MEASURES TAKEN TO MAXIMIZE THE EFFECTIVE USE OF MULTINATIONALS AS CONTRIBUTORS TO EXPORT EARNINGS. WE SHOULD STRIVE TO DAMPEN CONTENTIOUS NORTH-SOUTH ISSUES WHEREVER POSSIBLE, AND PARTICIPATE IN EFFORTS TO STABILIZE LDC EXPORT EARNINGS. GOP SPOKESMEN OFTEN EXHIBIT REASONED ECONOMIC JUDGMENT ON GIVEN NORTH-SOUTH ISSUES; WE SHOULD GIVE A HEARING TO THIS VOICE OF MODERATION AND ENGAGE THE FILIPINOS IN DIALOGUE. TRADE DEFICITS ARE AN IMMEDIATE AND PRESSING PROBLEM, AND WE SHOULD LISTEN TO PHILIPPINE OR OTHER REASONABLE LDC PROPOSALS FOR STABILIZATION OF COMMODITY EARNINGS. WE SHOULD NOT ENCOURAGE RESUMPTION OF BILATERAL ECONOMIC NEGOTIATIONS UNLESS WE ARE WILLING TO GRANT TARIFF CONCESSIONS. U.S. BUSINESSMEN HAVE BEEN OPERATING SUCCESSFULLY UNDER DE FACTO MFN STATUS SINCE THE EXPIRATION OF LAUREL-LANGLEY, AND A NEW TREATY DOES NOT APPEAR TO BE OF PRESSING IMPORTANCE TO THEM AT PRESENT. WE SHOULD, HOWEVER, ENCOURAGE THE PHILIPPINES TO MAKE ARRANGEMENTS WITH US AND WITH OTHER OECD NATIONS WHICH WILL ATTRACT FOREIGN CAPITAL TO INVEST IN AREAS WHICH WILL MAXIMIZE PHILIPPINE EMPLOYMENT OPPORTUNITIES, ESPECIALLY IN THE RURAL AREAS.

G. DEVELOPMENT. WE ANTICIPATE A CONTINUING NEED FOR U.S. AID TO THE PHILIPPINES. THE COUNTRY WILL NOT ACHIEVE SELF-SUSTAINING DEVELOPMENT IN FIVE YEARS AND MAYBE NOT IN A DECADE. FOR ALL THE DRAWBACKS NOTED ABOVE, THE PHILIPPINES HAS MUCH OF THE HIGH DEVELOPMENT POTENTIAL THAT CHARACTERIZED KOREA OR TAIWAN A DECADE AGO. THE CHANCES REMAIN GOOD THAT OUR ECONOMIC ASSISTANCE INVESTMENT HERE WILL PAY OFF RELATIVELY WELL. HOWEVER, WE SHOULD ANTICIPATE

CHANGES IN FORMAT AND POSSIBLY SOME REDUCTION IN TOTAL
AMOUNT OVER THE NEXT 3-5 YEARS INCLUDING A POSSIBLE REDUC-
TION IN THE SIZE OF THE AMERICAN AID ORGANIZATION. THIS
SHOULD BE DONE WITHOUT UNDERCUTTING ONGOING ACTIVITIES

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NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-08 TRSE-00
OMB-01 COME-00 EAE-00 AID-05 DHA-02 IO-13 MMO-01
PER-01 SIG-01 CU-02 AGRE-00 PC-01 LAB-04 IGA-02 MC-02
ACDA-07 OES-06 /111 W
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P R 020922Z MAR 77
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INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY RANGOON
AMEMBASSY SINGAPORE
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMEMBASSY VIENTIANE
USLO PEKING
AMCONSUL HONG KONG
CINCPAC
SECDEF

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THAT ARE CONTRIBUTING SIGNIFICANTLY TO DEVELOPMENT GOALS.

WE BELIEVE THAT MULITLATERAL AID SHOULD REMAIN
CONSTANT AND PERHAPS IN SOME CASE BE INCREASED, BUT IT
SHOULD BE MORE CONSISTENLY REGARDED AS PART OF A UNIFIED
AMERICAN EFFORT AND SUBJECTED TO MORE INTENSE U.S.
SCRUTINY THAN IS CURRENTLY THE CASE. OUR BILATERAL
EFFORTS SHOULD CONTINUE TO FOCUS ON THE RURAL POOR, IN
LINE WITH THE CONGRESSIONAL MADATE WITH PARTICULAR EMPHASIS
ON EXPANDING EMPLOYMENT OPPORTUNITIES.
IT WILL BE ESSENTIAL NOT TO LOSE
SIGHT OF KEY PROGRAMS, SUCH AS FAMILY PLANNING AND MARKET
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DEVELOPMENT. BUT WE SHOULD WITH INCREASING STRINGENCY INVOKE THE GOP'S OWN IDEAL OF SELF-RELIANCE, EXEMPLIFIED BY ITS TURN-DOWN OF U.S. AID DURING THE 1976 MINDANAO EARTHQUAKE RELIEF EFFORT. IN EVERY CASE WE SHOULD ASK WHETHER THE POSITIVE EFFECTS OF NEW PROJECTS OUTWEIGHT THE NEGATIVE EFFECT OF ENCOURAGING THE GOP TO RELY ON A TRADITIONAL SOURCE OF FOREIGN SUPPORT WHEN, WITH A MORE DISCIPLINED EFFORT, IT COULD MOBILIZE AMPLE NATIONAL TALENT AND RESOURCES TO DO THE JOB ITSELF.

AN AID-CASH SETTLEMENT LINKED TO A BASES AGREEMENT COULD GIVE US AN OPPORTUNITY TO RESTRUCTURE OUR BILATERAL ASSISTANCE PROGRAM IN ORDER TO MAXIMIZE IMPACT ON PHILIPPINE DEVELOPMENT WHILE REDUCING AMERICA BUREAUCRACY. WE COULD, FOR EXAMPLE, FOCUS OUR RESOURCES MORE ON ONE AREA, SUCH AS POWER DEVELOPMENT (INCLUDING EOTHERMAL) WHERE AMERICAN INDUSTRIAL TALENT WOULD BE MOST EFFECTIVE AND WHICH WOULD HAVE GREAT LONG-TERM EFFECT ON LIVING STANDARDS IN THE PHILIPPINES.

H. CONSULAR. WHILE U.S. IMMIGRATION POLICY IN THE PHILIPPINE CONTEXT IS IN MOST CASES SET BY STATUTE, THERE MAY BE AREAS WHERE IMPROVEMENTS COULD BE MADE ONCE WE HAVE FULLY ASSESSED THE NATURE OF THE PROBLEM AND ITS RELATIONSHIP TO OTHER LONG-TERM U.S. INTERSTS. LAST YEAR EMBASSY MANILA ISSUED 30,652 IMMIGRANT VISAS, THE HIGHEST NUMBER OF ANY FOREIGN SERVICE POST IN HISTORY. BY OTHER YARDSTICKS AS WELL THE SCOPE AND IMPLICATIONS OF OUR CONSULAR INVOLVEMENT WITH THE PHILIPPINES ARE ENORMOUS. IT COULD NOT BE OTHERWISE WITH UP TO 1,000,000 ETHNIC FILIPINOS IN THE U.S. AND 65,000 AMERICAN CITIZENS IN THE PHILIPPINES. OUR CONSULAR FUNCTION, FRAUGHT AS IT IS WITH FRUSTRATION, SYMBOLIZES THE SPECIAL RELATIONSHIP. LIKE THE DORMANT BUT NOT DEAD FIFTY-FIRST STATE MOVEMENT, THE LONG LINES BEFORE THE VISA WINDOWS ARE A TRUE HALLMARK OF POPULAR FILIPINO ATTITUDES TOWARD THE U.S.

THE PRESENT PATTERN GREATLY ENCOURAGES LINGERING HABITS OF EMOTIONALISM AND DEPENDENCY, IS DEGRADING TO

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THE PHILIPPINE NATION, AND AN EVER-INCREASING ADMINISTRATIVE BURDON ON THE U.S. GOVERNMENT. THE GOP EXPLICITLY ENCOURAGES THE EXPORT OF SKILLED LABOR, INCLUDING TO THE U.S., AS A SOURCE OF FOREIGN EXCHANGE. IT DOES NOTHING TO DISCOURAGE CONTINUING EMIGRATION. THE PHENOMENON OF FAMILY MEMBERS IN THE UNITED STATES IS COMMON AMONG THE ELITE CLASS FROM WHICH FILIPINO DECISION-MAKERS ARE DRAWN, TO THE POINT WHERE FEW WOULD CONSIDER ALTERING THE PRESENT SYSTEM.

EMIGRATION DOES ENCOURAGE UPWARD MOBILITY, THIRST FOR EDUCATION, AND PERHAPS THE DEVELOPMENT OF A MIDDLE CLASS. BUT IT ALSO DRAINS TALENT FROM NATIONAL DEVELOPMENT.

I. U.S. PRESENT. THE PHILIPPINES REMAINS A CONGENIAL PLACE FOR AMERICANS TO WORK AND AN ATTRACTIVE LOCATION FOR REGIONAL ACTIVITIES. EXCLUSIVE OF THE BASES, WITH ALMOST 40,000 AMERICAN PRINCIPALS AND DEPENDENTS, THERE ARE OVER 500 OFFICIAL AMERICANS, PLUS 350 PEACE CORPS VOLUNTEERS, AND 750 DEPENDENTS. MANY UNUSUAL OFFICIAL FUNCTIONS ARE REQUIRED BY LAW OR RESULT FROM HIGHLY RESILIENT ASPECTS OF THE SPECIAL RELATIONSHIP. NEVERTHELESS IF WE MEAN BUSINESS ABOUT WORKING TOWARD A MORE RATIONAL RELATIONSHIP, IT IS HIGHLY DESIRABLE THAT WE TRIM OUR OFFICIAL PRESENCE. LEANER OPERATIONS WOULD CONSERVE USG RESOURCES AND WOULD ENHANCE OUR IMAGE, PERFORMANCE AND MORALE, AS WELL AS OUR RELATIONS. AS A STARTER THERE IS A CONTINUING NEED TO IMPLEMENT THE STAFF REDUCTIONS TOTALLING 20 PERCENT PROPOSED IN MANILA 0471 OF JANUARY 9, 1976.
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